

**Achievement of Market-Friendly Initiatives and Results Program  
(AMIR 2.0 Program)**

**Funded By U.S. Agency for International Development**

**Governance Manual Workshops follow up**

Final Report

**Deliverable for MEI Component, Task No. 310.1.1  
Contract No. 278-C-00-02-00201-00**

November 2002

*This report was prepared by Jeremy Condor in collaboration with Chemonics International Inc., prime contractor to the U.S. Agency for International Development for the AMIR Program in Jordan*

## Table of Contents

	<u>Page</u>
Executive Summary	1
Findings and Updates	2
Conclusions	6
Recommendations	8

## **Executive Summary**

This governance consultancy and Workbook development input concludes that measurable progress is being made by all three MFIs in terms of:

- Board membership recruitment
- Board leadership development
- Appropriate profiling of new and potential members
- Buy in and commitment to the AMIR-supported, generic and custom workbooks as governance development tools
- Clarification re parameters of responsibility between governors and the Executive

These developments represent excellent progress, and are a vindication of AMIR's investment in its partners' institutional sustainability.

The Microfund for Women is at a critical point in its institutional development, and careful ongoing monitoring and OD support will be needed to ensure the stabilization of the governance process. The new ownership balance is not an insurmountable problem, and can be resolved through a process of facilitated negotiation, with the involvement of all the key stakeholders. The AMIR program is well placed to facilitate the transition in the coming months.

JMCC is also at a critical point in its governance development, and is well positioned to capitalize on a process of board leadership and membership renewal.

AMC continues to be stable, and is benefiting from a deepened understanding that Board member profiles need to be broadened. Good progress is being made.

All three MFIs have deepened their understanding of how to capitalize on the technical assistance that has been provided by the AMIR program.

The Generic Workbook is close to publication, and is positioned to become a genuinely self-owned governance development tool by all three Boards. Commitment to the Workbook as a tool for institutional development has increased in all three MFI partners.

## **Findings and Updates**

### ***1. Re Generic Workbook development***

The material has now been extensively reviewed by all major stakeholders and by the Chemonics Governance Specialist in the United States. Layout nears completion at the Grafica Company in Amman. Publication is expected in early 2003.

The generic Workbook is laid out so that most templates face a suggested practice example. In addition to the template a paper template copy is included for ease of use in developing the custom Workbooks.

Attention has been paid to the development of attractive graphics, ease of use and innovative presentation within a generally conservative package.

The Workbook permits two options to be used by each Board:

- a) The development of a stand alone, separate Workbook comprised of the Board's completed templates. The templates would be reviewed annually, and updated as required.
- b) The integration of the generic Workbook with the custom Workbook. In this option, the Board would retain all the material in the generic version and include its periodically updated templates.

The second option has been recommended to all three MFIs.

### ***2. Re Microfund for Women***

#### **Organizational Update**

Major changes have taken place since the last consultancy, notable among which are the following:

Ownership transfer took place on November 2, 2002. Current ownership:

- Mr. Sukhtian – 60%. Chair
- Save the Children (represented in Jordan by Rajan Gill) – 26%
- Sameera Qadoura – 9%
- Mohammad Al Asadi – 5%

Mr. Al Asadi is now the only remaining Board member from the previous Board. All the other members have resigned, thus resolving an ownership and governance crisis that has been ongoing for over a year. Mr. Al Asadi has voiced his intention to leave the Board at the convenience of the organization.

During the process of ownership transition, it seems that Save the Children was concerned to maintain a controlling 26% stake, and thus the Board was not expanded

beyond four members. This arrangement permits Save the Children to veto Board decisions. Had its share been less than 26% Save the Children would have lost control over Board decisions to the majority.

In response to the perceived Save the Children position, Mr. Sukhtian has proposed the following individuals to be co-opted onto the Board as non-owners:

- Ms. Suhair Al-Ali, General Manager of Citibank Jordan
- Ms. Nissreen Haram, Managing Director of International Business Legal Associates (IBLaw)
- Ms. Maha Khatib, Director General of Jordan River Foundation
- Mr. Ghassan Nuqol, Business person

The above-mentioned individuals currently function as ex-officio Board members. It seems that Mr. Sukhtian has been at pains to ensure that the professional profiles of these individuals add value to the Board. It is understood that in his absence his interests will be represented by his nominees, notably Ms Al Ali. There may be a conflict of interest here. Jordanian Company law prohibits a board member from serving on the board of a competing company.

According to the MFW CEO, Mr. Sukhtian has assured the other owners of the impartiality of his proposed ex-officio Board members. While they cannot be regarded as official or voting Board members, it seems that they have been accorded informal status as quasi Board members. Thus the Board now functions as a 7-person group.

A follow up meeting between USAID, AMIR and Save the Children's Field Office Director resulted in further clarity being obtained about Save the Children's position. The organization wishes to ensure the integrity of its investment by maintaining a pivotal role as shareholder, but is willing to engage on the Board.

The CEO reports that Mr. Sukhtian intends to leave the Board, while remaining a principal shareholder. It is understood he perceives his interests to be represented by his nominees.

In governance terms the situation is perceived as problematic by the leadership of the AMIR program as well as by the MFW CEO. However the CEO also registers the view that he now has a group of people with a genuine interest in and commitment to governing the organization.

Bearing in mind that the Board has been completely renewed, AMIR has proposed supporting its first Board development retreat in January. A schedule for this event is pending.

### MFW Workbook Development

Custom Workbook development has been put on hold until the Board is convened to review its aims and objectives. The CEO has developed custom-designed Workbook material for the Board's approval, but was advised to seek buy in and ownership to the process from the new Board before investing further effort. In effect the concept of the Workbook as a Board development tool is now under review pending the first Board meeting in January 2003.

The CEO continues to prepare Board meeting agendas and minutes.

The Board was not available for a meeting with the consultant on this occasion.

### **3. *Re JMCC***

#### Organizational Update

Two new Board members (Mr. Mustafa Nasereddin, Executive Director, Talal Abu-Ghazaleh & Co. International and Mr. Sharif Al-Zu'bi, Advocate, Ali Sharif Zu'bi & Sharif Ali Zu'bi Law Office) have joined the organization. The Chair was not present for the Workbook review workshop, and it is now understood that he will not continue as Chair.

#### JMCC Workbook Development

The Board members present at the workbook took a very high level of interest in the Workbook, and the governance issues it raises. This was a first for the Board of JMCC. One habitually quiet Board member remained a passive player during the Workshop, and opinion was mooted informally that he might soon leave.

The two new members expressed a commitment to the Workbook that has not been voiced before by JMCC's Board.

Outstanding issues re the custom Workbook remain, and the Board has determined to study the existing material before mandating the CEO to propose new material. Further, the Board has accepted its responsibility in the management of the Board agenda and minutes.

Board members proposed that the upcoming study tour should focus on best practice examples rather than on a governance capacity mix. All present voiced interest in the notion of the study tour.

#### **4. *Re AMC***

##### Organizational Update

Dr Jack Kattan continues as Board Chair, but he has left the Jordan National Bank. The implications for the Board and for AMC are not yet clear. If Dr Kattan continues as a non-JNB staff member the subsidiary status of AMC may be impacted. Dr Kattan was not available to attend the Workshop, and some speculation was raised that he may be intending to resign from the Board of AMC.

A new member, Mr. Falah Kokush, has joined the Board.

##### AMC Workbook Development

The custom workbook approaches completion, and will be finalized by early January, conditional on the approval of the Board.

Buy-in to the Workbook has deepened, with renewed interest in the Workbook as a tool for good governance being expressed by both the Board and the CEO.



## Conclusions

### ***1. Re Generic and Custom Workbook development – good progress has been made***

Overall, all three organizations have made considerable progress in terms of buy-in and ownership of the Workbook as a good governance development tool.

There is renewed evidence of buy in and commitment to the Workbook from all three CEOs. AMC's CEO was initially skeptical, but his interest has consistently increased and he acts as a champion of Workbook development by the Board itself.

The development of the Workbook has underlined the fact that many Board members have been nominated inappropriately and have not fulfilled their roles. There may be a case to argue that the development of both the generic and the custom Workbooks has provoked as well as reflected some of the changes in membership and composition that are now taking place.

All three Boards are in a much stronger position than ever before to respond to the demands made upon them as responsible governors. Considering the very basic level of awareness and initially weak commitment when this process began, the development of the Workbook is a vindication of the hands-on approach adopted by the AMIR program. Had AMIR not taken a robust approach to good governance development it may have had a quieter life in the short term, but it would have been allowing all three MFIs to store up institutional sustainability problems that would have threatened their existence in the medium and longer term. All three MFIs now demonstrate a genuine commitment to good governance, and an increasing understanding that they are responsible for the institutional integrity of their MFIs.

### ***2. Re Microfund for Women – the organization has arrived at a watershed in its institutional development – the situation is not as dangerous as it seems***

The fact that the ownership transition has been completed marks the close of an important chapter in MFW's institutional development. The last of the social work profile Board members have left, and the replacement of the Chair marks an important opportunity for the organization.

Save the Children has maintained a controlling interest in MFW. Save can thus serve as a reliable American guarantor of operational and institutional integrity.

The nomination of the new Board should be seen in the light of MFW's brief history as a poorly localized NGO department. The current Board membership profile is a vast improvement over what preceded it. The ownership structure remains troubled, but if the situation is addressed carefully the ownership balance can be resolved.

There is nothing intrinsically wrong with having a mix of owners and non-owners on the Board. The fact that the majority shareholder now wishes to be represented by someone else is a good sign.

The custom Workbook, and the use of the generic Workbook remain a challenge to be resolved. The upcoming Board workshop in January 2003 will be a crucial moment in determining whether and how the new Board intends to use this tool. Bearing in mind the ambivalence and lack of commitment to good governance by the previous Board, the current situation is as much an opportunity as a threat.

***3. Re JMCC – the prognosis is better than ever for good governance and a stable organization***

It is clear that the current Chair has been sidelined by some skillful maneuverings at the Noor Al Hussein Foundation. AMIR's excellent working relations with the Foundation's acting representative have helped to facilitate an elegant solution to the vexed problem of dictatorial Board leadership and passive and incompetent Board membership. If the reported resignation of the current Chair is confirmed, this change will represent a major opportunity to move JMCC from its status as an unaccountable one-man show to a well-governed, professional Microfinance institution.

The two new Board members have already demonstrated commitment, drive and initiative in their approach to Board membership, and it is clear that at least one of them has an appropriate profile as a potential Chair.

***4. Re AMC***

AMC has committed itself to renewing, developing and increasing the membership of its Board. The recruitment of a fourth member is good progress and it clear that his profile is complementary to that of his counterparts on the Board.

## **Recommendations**

### ***1. Finalize and publish the Generic Workbook***

As soon as the Grafica Company completes the draft layout of the generic Workbook, it should be given a final content review by the author. This should be followed by a final proof reading by the AMIR component management.

### ***2. Follow up on Workbook development with each of the three Boards***

The AMIR Program should monitor Board development by ensuring that the Custom designed Workbooks are maintained and regularly updated by the Boards.

### ***3. Assist MFW in the stabilization of the new Board***

In January 2003 the AMIR Program should provide a special orientation workshop to the new Board of MFW in order to:

- Re-establish an appropriate governance process.
- Establish clear parameters between the new governing body and the Executive.
- Promote buy in and commitment to the Workbook as a Board development tool.

The AMIR Program and USAID should encourage Save the Children to play an active governance role as a key shareholder in the Microfund for Women. Save the Children should participate in the Board Workshop.

### ***4. Support the Board's leadership transition at JMCC***

The AMIR Program should continue to monitor Board performance, and to support the Noor Al Hussein Foundation's efforts to replace the Chair with one of the newly recruited Board members.

### ***5. Further strengthen governance capacity development by proceeding with the planned Governance study tour***

The study tour, currently scheduled for March 2003 should proceed as planned. Bearing in mind time constraints and language convenience, tour planners should focus on central Europe and/or the Balkans as a potential study area. Current possibilities under investigation include a study visit to Fundusz Mikro in Poland.

Bearing in mind the investment involved in the tour, it is suggested that the AMIR Program make special efforts to support current Board membership recruitment and renewal initiatives with all three of its MFI partners during the coming three months.